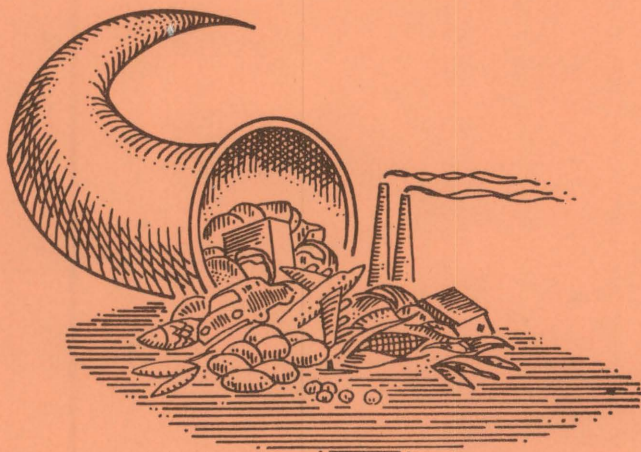


WHAT DOES YOUR FOOD DOLLAR BUY ?

A Self-contained Discussion Guide



COOPERATIVE EXTENSION SERVICE
THE OHIO STATE UNIVERSITY

965/2500

The Ohio State University cooperating with the U. S. Department of Agriculture,
Cooperative Extension Service, Roy M. Kottman, Director, Columbus, Ohio 43210.
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LET'S LOOK AT FOOD COSTS

by Gene Futrell,
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Food prices receive a lot of criticism these days. They often get the blame when it's hard to make ends meet. But how high are food prices? And why are we so concerned about them? Let's look at food costs.

CONCERN ABOUT FOOD NATURAL

Concern over food costs is natural. Food is one of the largest direct expenditures for most families. And the outflow of money for food is pretty steady. Besides, food doesn't last -- in contrast to many other things we buy. Although a large part of our income goes for food, there is little to show for it at the end of the month. Food competes for our dollars with other goods and services. It's a necessity! But money spent for food isn't available to buy other things we'd like.

FOOD PRICES HIGHER, BUT --

Food Prices have gone up. No doubt about it. But prices of most things we buy have increased more than food in recent years. The Consumer Price Index, reported by the Bureau of Labor Statistics, gives us the facts. In the summer of 1964 retail food prices in the United States averaged 6 per cent higher than they were in the 1957-1959 period. But the price index of **all items** increased 8 per cent in the same period. This "all items" index includes about 400 items--food included--

that are typical purchases of urban wage earners and clerical worker families and has recently been expanded to include single workers living alone. It is broken down into several major spending groups, such as food, housing, clothing, etc.

Here is the scoreboard of average price changes from 1957-1959 to July 1964.

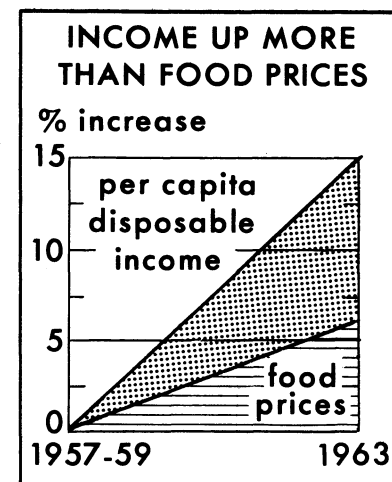
All items	up	8 per cent
Medical care	up	20 "
Reading and recreation	up	14 "
Transportation	up	9 "
Personal care	up	9 "
Housing	up	7 "
Apparel	up	6 "
Food - All	up	7 "
At home	up	5 "
Away from home	up	15 "

FOOD SPENDING AND INCOMES COMPARED

Actual dollars spent for food increased from an average of \$312 per person in 1950 to \$386 in 1960 to \$401 in 1963. That is an increase of 29 per cent overall, but only 4 per cent from 1960 to 1963. Average incomes have gone up faster, however. In the same periods, average disposable income per person (the money actually left for spending after taxes) rose from \$1,369 to \$1,939 to \$2,125. This was a 57 per cent increase in money income over the entire period and a 10 per cent gain from 1960 to 1963.

The net result is we are spending a smaller part of our incomes for food than ever before. The 1963 food bill took only 18.9 per cent of disposable income on the average, compared with 23 per cent in 1935-39, and nearly 26 per cent in 1947-49 (a period when many kinds of consumer goods were scarce). By comparison, people in Sweden spend around 27 per cent of their incomes

for food; the Japanese, 45 per cent; the Russians, around 55 per cent; and the people of India, 60 per cent.



THE COST OF HIGHER LIVING

Food eating habits have changed, and less of the family food supply is produced at home. We're also using more convenience foods and highly processed foods, such as ready mixes and frozen foods. More meals are eaten away from home these days too. Finally, the quality of our food is generally higher, thanks to advances in the technology of producing, processing, and distributing food, and to inspection and purity requirements.

Remember that food is really taking a comparatively small part of our incomes, leaving more available for better housing, education, recreation, etc. If we were satisfied with the kinds and quality of food available in 1935-39, food would take only 14.0 per cent of average disposable income instead of the present 18.9 per cent. So what many of us call the "high cost of food" may really be the "cost of higher living" -- a reflection of our changing standards.

FARM PRICES AND FOOD PRICES

Retail prices on farm produced foods are made up of two main parts -- the farm value of the original raw product and the costs of processing and distributing the final product (marketing margin or marketing costs). Prices received by farmers for farm food products have generally trended downward since the early 1950's. So this part of retail food prices has generally declined. But marketing costs have increased substantially on most foods, due to higher operating costs of food marketing firms and to increases in food marketing services -- greater processing, preparation, packaging, etc.

As a result, marketing costs now make up over 60 per cent of the retail cost of farm produced foods, compared with only 50 per cent in 1947-49.

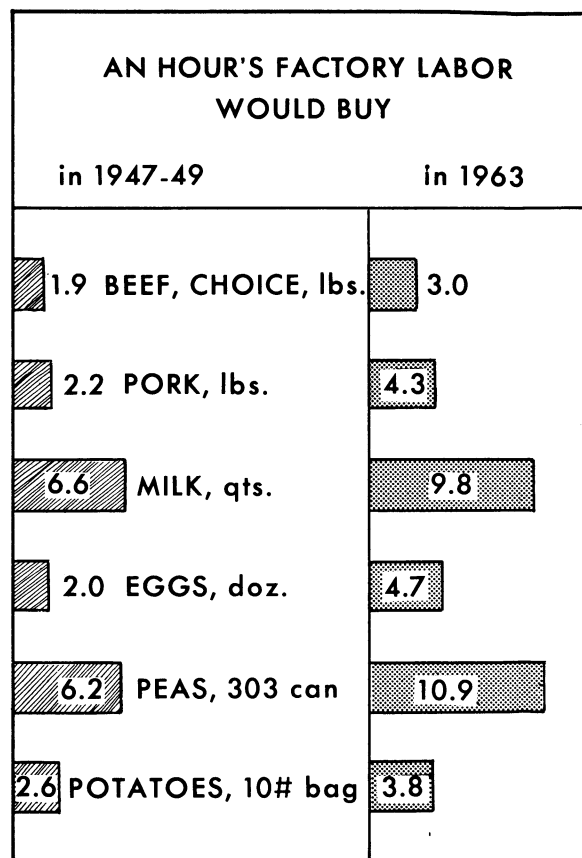
REMEMBER THOSE NON-FOODS!

And is **your** grocery bill really what you spend for food? In 1963 non-food items made up 19 per cent of the total sales of supermarkets and grocery stores in this country. Soft drinks and liquors added another seven per cent. There's nothing wrong with this. In fact, having these items at the food store is often a real convenience. But remember to subtract them when you add up the grocery bill.

MORE FOR LESS

Increases in food prices have generally been more moderate than increases in prices of other goods and services we buy. And payment for better quality food and marketing services accounts for much of the increase. The important thing is

that today we can be well fed on a smaller part of our incomes than ever before. Today, an hour's factory labor will buy much more than ever before.



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A Self-contained Discussion Guide

Aims

Recognize that today's food supply is different than a generation ago.
Consider the cost of food in its various forms.
Understand changes in food costs as related to other facets of family living.
Recognize who gets the dollar you spend for food.

Use of Outline and Materials

This material can be used as a guide for discussion or lecture in groups. Demonstrations suggested in the outline can be put on by one or more persons, and can be as detailed as the demonstrator desires. The material can also be used as a source of information for radio programs, newspaper articles, television programs, and/or exhibits.

Preparation for Discussion

1. Study some of the suggested resource materials.
 - a) "Let's Look at Food Costs," MM 197, Cooperative Extension Service, The Ohio State University. This is attached to the outline, or get from your county Extension agent.
 - b) Food, the Yearbook of Agriculture, 1959, U. S. Department of Agriculture. Get this from your public library, county Extension agent, home economics or vocational agriculture teacher, or friends.
 - c) Hampe, Edward C., Jr. and Merle Wittenberg, The Lifeline of America, Development of the Food Industry, McGraw-Hill, New York, 1964. This is a new book, but try your public library. You'll find it fascinating reading.
 - d) You can get other resource material from your county Extension agent, home economics, local home economics teachers, local utility, home economists, public library, and you'll find others.

Prepared by: Women's Committee, Ohio Farm-City Week. Written by Lois Simonds, Extension Specialist, Marketing Information for Consumers, Department of Agricultural Economics and Rural Sociology and Cooperative Extension Service, The Ohio State University.

2. Study the suggested outline for discussion, make some notes, and practice. Select items you want to use, and time your presentation according to length of program desired. You will probably want to make some introductory remarks before starting the discussion.
3. For the demonstrations suggested in the outline, you will need to collect supplies, to practice, and to put them in order before the meeting. You'll likely have most items suggested in your cupboard, or you can borrow from a friend. Empty cans and packages work fine; they aren't as heavy to carry.
4. See that physical arrangements are suitable for discussion and demonstrations. If possible, avoid having group face a window or bright light; instead, you face it.

Introduction

Everybody gripes because they spend too much for food. Food is the largest single expenditure most families make, taking almost one-fifth of disposable income--that's income after taxes. This fact alone makes concern over food spending quite natural.

The frequency of purchase also contributes to awareness of food costs. Surveys show that the average homemaker goes to the food market three times a week. A fourth of them go four or more times each week. So, the family has a fairly steady outflow of funds for food. Food doesn't last, in contrast to many other things families buy. And food competes for dollars with many other goods and services. While food is a necessity, there are other things that people would rather have--clothing, appliances, furniture, recreation, education, vacations, etc.

Another reason for concern about food costs is a lack of understanding. Many people fail to recognize the relative position of food prices to other prices and to incomes. In fact, in a recent Gallop poll, U.S. consumers indicated they were more concerned over the high cost of food than any other area of family spending.

Discussion Outline

1. How have retail food stores and kinds of food available changed over the years?
 - a) In Lincoln's day, there were about 100 items.
In 1925, the average store had about 800 items.
Today you can choose from 6,000 to 8,000 items.
 - b) Supplies are not just local, but from all over the world. Transportation, storage facilities, and trade has made this possible.

- c) Many foods know no season today.
- d) Many items are available fresh, canned frozen, dried.
- e) Food store is again a general store. About 20 per cent of food store purchases are non-foods.

To Illustrate

For examples, use some of foods as follows:

- b) coffee, sugar, imported pastries, bananas, tea, spices.
- c) a food not locally in season.
- d) potatoes in various forms (fresh, canned, frozen, dehydrated)
- e) some non-foods typically purchased, as detergent, paper products, pet food, health and beauty aids, magazines, and clothing. Also, use cash register tape, and cut off 1/5 of it to illustrate part of total shown on tape that is for non-foods.

2. Have food prices really gone up?

- a) Yes, but not as much as other items of family living.
- b) Not as much as incomes.
- c) Not in hours it takes to earn.

(See "Let's Look at Food Costs")

To Illustrate

Consider visual use of this information, including blackboard or chart.

3. How does per cent of income spent for food in U. S. compare to other countries?

- a) Lowest in world.

(See "Let's Look at Food Costs.")

4. What affects the amount of money you spend for food?

- a) Size of family and age of members.
- b) Income level.

c) Cost of high living.

(1) Shift in consumption from low-cost cereals, some fresh fruits and vegetables to higher cost meat, poultry, processed fruits and vegetables.

(2) More meals are eaten away from home--20 to 25 per cent of food expenditures are for meals away from home.

d) Shift in processing and preparation from home to outside the home.

(1) Eighty-five per cent of all food is processed before purchase--from washing potatoes and wrapping lettuce to complete meal ready to heat and serve.

(2) More partially or fully prepared foods are available. U.S.D.A. study shows that 73 per cent of the convenience foods studied cost more than their home-prepared counterparts. But we buy so many more of those convenience foods that cost less even with some preparation outside the home, that we save \$1.07 per \$100 spent for food by using the more convenient items.

"Convenience foods" as defined in this study, refers to foods which have services added to the basic ingredients to reduce the amount of preparation required in the home. That is, convenience foods require less work or adding of ingredients than the home-prepared counterpart.

(3) Convenience is not new. The first canned food appeared in the early 1800's, first pancake mix in 1889.

e) Quality is improved.

(1) Advances in production, processing, distribution technologies.

(2) Inspection requirements.

Suggested Resources

Year Book of Agriculture, 1959, Chapters 5, 6, 8, 9.

The Lifeline of America, Development of the Food Industry, the entire book.

Comparative Costs to Consumers of Convenience Foods and Home-Prepared Foods, Marketing Research Report No. 609, U. S. Department of Agriculture, Economic Research Service, Marketing Economics Division, June, 1963.

To Illustrate

To illustrate effect of convenience foods on food costs, show packages of foods that decrease or add 5 cents or more cost per \$100 spent for food.

Convenience Foods That
Saved 5¢ or More Per \$100
Expenditure for Food

Instant coffee	95.9¢
Frozen orange juice	70.9
Canned peas	47.2
Canned cherries	20.8
Frozen peas	9.3
Canned orange juice	9.0
Canned cut corn	8.7
Canned spinach	6.8

Convenience Foods That
Added 5¢ or More Per \$100
Expenditure for Food

Canned peaches	13.3¢
Canned green beans	11.0
Tea bags	10.9
Frozen chicken dinner	10.4
Link sausage, raw	9.1
Cut-up frying chicken	8.2
Yeast rolls, ready-to-serve	7.2
Frozen turkey dinner	6.6
Yeast rolls, brown & serve	6.4
Rice, pre-cooked	5.8

5. Who gets the dollars you spend for food?

a) There have been shifts. In 1947-49 the farmer got half, and the marketing system got half. However, as the marketing system performs more of the tasks required to get food from the farm to the consumer, the marketing system gets a greater share. What the farmer gets depends on what must be done to the product between the time it leaves the farm and gets to the grocery store.

b) In 1963, the food dollar was divided as follows:

farmer	32.2¢
labor	30.7
transportation	
(rail & truck only)	7.5
corporate taxes	1.8
corporate profits	1.8
all other	<u>26.0</u>
	100.0

Other includes fuel, electrical power, containers, packaging, materials, air and water transportation, interest, taxes other than those on income, and non-corporate taxes.

To Illustrate

Show how marketing cost and share to farmer is divided with item requiring much processing and item requiring little processing.

Bread--Use a one-pound loaf of white bread which has about 18 slices. Divide it as follows (small paper plates work well for each part--you can write on each how many slices and whose it is so you won't have to have notes):

	<u>No. Slices</u>	<u>Share</u>
Farm value of ingredients	2.5	14.4%
Milling	1.0	4.6
Other handlers and processors	1.0	7.0
Baker-wholesaler	10.0	54.6
*Labor	(5.0)	
Packaging	(1.0)	
Delivery other than wages	(1.0)	
Advertising and items		
bought for resale	(0.75)	
Other costs	(2.0)	
Profits after taxes	(0.25)	
Retailer	3.5	19.4
	<u>18.0 slices</u>	<u>100.0%</u>

*Numbers in parentheses indicated how the baker-wholesaler share is divided.

Eggs--Use one dozen U.S. Grade A Large Eggs. Divide as follows: (Two empty cartons could be used, one for each part.)

	<u>No. Eggs</u>	<u>Share</u>
Farmer	7	61%
Wholesaler and retailer	$\frac{5}{12}$	$\frac{39}{100\%}$

Summary

Food is a bargain! Week in and week out, despite weather, season, or distance from the farm, an abundant supply of food is available. And this food takes less of the average family income than ever before. Just after World War II, the family food bill was a fourth of take-home pay; today, it's less than one-fifth, even though food prices have gone up.

Money buys more, too. It pays the 3 million farmers for the basic food products, but many things happen to food as it travels from farm to market. For instance, over 5 million men and women process vegetables, pack meat, bake bread, and do all the other processing and distributing jobs. Without these people employed in the food industry, orange juice would never leave the grove, and steak would still be on the hoof. Rapid transportation brings the benefit of year-around production in far away specialized farm areas.

So you see, the farmer doesn't get all the money you spend for food. Food money buys more convenience--in trimmed, packaged, canned and frozen food, as well as pre-mixed and ready-to-serve foods.

It also buys more nutrition, sanitation, quality, style, and enjoyment. Homemakers can set before their families meals that bring about satisfaction with less labor than ever before.

